

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

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TO SECSTATE WASHDC 8301

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E.O. 11652: N/A

TAGS: ELAB, PINT, SW

SUBJECT: WAGE EARNER FUNDS EMERGE AS PRIME ELECTION ISSUE

REF: STOCKHOLM A-70

BEGIN UNCLASSIFIED

1. SUMMARY: RECENT ELECTION CAMPAIGN SPEECHES AND STATEMENTS BY OPPOSITION PARTY LEADERS CONTAIN SHARP ATTACKS ON THE WAGE EARNER FUND PROPOSAL (THE SO CALLED MEIDNER REPORT) THAT WAS STRONGLY ENDORSED BY THE SWEDISH CONFEDERATION OF TRADE UNIONS (LO) AT ITS JUNE CONGRESS (STOCKHOLM'S 3394 AND 3515). THE ATTACKS FOCUS NOT ONLY ON THE IDEA ITSELF, BUT MORE TO THE POINT, RIDICULE THE EFFORTS OF PRIME MINISTER OLOF PALME TO STAY UN-COMMITTED IN THE CONTROVERSY WHILE TRYING AT THE SAME TIME NOT TO ANTAGONIZE THE SOCIAL DEMOCRATS' POWERFUL TRADE UNION ALLY. PALME HAS ALMOST NO ROOM FOR MANEUVER ON THIS MATTER AND IS CLEARLY ON THE DEFENSIVE. END SUMMARY.

2. UNTIL NOW PALME HAS SUCCESSFULLY FENDED OFF DEBATE THROUGH STUBBORNLY INSISTING THAT THE ISSUE WILL NOT COME TO A HEAD FOR
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ANOTHER FOUR OR FIVE YEARS AND IT WOULD THEREFORE BE PREMATURE

AND OF LITTLE VALUE TO DISCUSS IT AT THIS TIME. THIS STRATEGY NOW APPEARS TO HAVE RUN ITS COURSE. APPARENTLY AS A RESULT OF PERSISTENT OPPOSITION FIRE, PALME FELT COMPELLED SEVERAL DAYS AGO TO GIVE AN INTERVIEW IN WHICH HE STRESSED HIS OPEN-MINDEDNESS ON THE WAGE EARNER FUND QUESTION. IN A VERY CAUTIOUS DEPARTURE FROM THE LO POSITION WHICH IS BASED STRICTLY ON COLLECTIVE OWNERSHIP OF FUNDS, PALME SUGGESTED THAT A COMPROMISE MIGHT BE POSSIBLE INVOLVING COLLECTIVE OWNERSHIP COMBINED WITH SOME KIND OF QUALIFIED INDIVIDUAL DRAWING RIGHTS.

3. THE PRIME MINISTER'S MOST ARTICULATE AND EFFECTIVE OPPONENT IN THIS CONTROVERSY IS PER AHLMARK, THE LEADER OF THE LIBERAL PARTY. IN A RECENT SPEECH, AHLMARK RECALLED THAT HIS PARTY HAS RECOGNIZED THE NEED FOR WAGE EARNERS TO PARTICIPATE DIRECTLY IN THE COUNTRY'S CAPITAL GROWTH AND IS ON RECORD FOR THIS PURPOSE AS FAVORING COMPANY FUNDS MADE UP OF EMPLOYEE-OWNED SHARES. THE LO SCHEME, HE POINTS OUT, LAYS PRIMARY STRESS ON UNION CONTROL OF THE ENTERPRISE AND, IN HIS OPINION, WILL RESULT IN A GIGANTIC CENTRALIZATION OF POWER THAT WOULD THREATEN COMPETITION, DISCOURAGE INVESTMENT, REDUCE PRODUCTION EFFICIENCY AND ULTIMATELY DESTROY SWEDEN'S MARKET ECONOMY. IN AN EXCHANGE AHLMARK HAD RECENTLY WITH PALME, THE LATTER AGREED THAT A SYSTEM OF WAGE EARNER FUNDS MUST NOT CONFLICT WITH A DECENTRALIZED ECONOMY. HOW CAN PALME ACCOMMODATE THIS VIEW WITH THE LO GOAL, AHLMARK ASKS, AND GOES ON TO ACCUSE THE PRIME MINISTER OF "TRYING TO RIDE TWO HORSES AT THE SAME TIME." BECAUSE OF THE INEXTRICABLE LINKS BETWEEN LO AND THE SOCIAL DEMOCRATS, AHLMARK DECLARED THAT PALME CANNOT AVOID BEING IDENTIFIED WITH THE LO POSITION. IF PALME FEELS DIFFERENTLY, HE HAS A RESPONSIBILITY TO STATE PRECISELY WHERE HE DOES STAND, AHLMARK INSISTED.

4. PALME'S RESPONSE TO THIS CRITICISM HAS NOT BEEN PERSUASIVE. STATING THAT HE DOES NOT OPPOSE LO'S DEMAND FOR COLLECTIVELY OWNED FUNDS, HE ADDS (DESPITE ALL EVIDENCE TO THE CONTRARY) THAT LO HAS NOT TAKEN A CATEGORICAL STAND ON THIS PRINCIPLE AND IS PREPARED TO CONSIDER VARIATIONS.

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(UNFORTUNATELY FOR PALME, LO LEADERS HAVE GIVEN NO SUCH INDICATIONS SO FAR.) HE GOES ON TO ACCUSE AHLMARK AND HIS OPPOSITION COLLEAGUES IN INJURED TONES OF "PLAYING POLITICS" AND BEING UNWILLING TO ENGAGE IN A CONSTRUCTIVE DIALOGUE ON THE SUBJECT. THE ONLY CRITICISM PALME HAS LEVELLED AT THE LO SCHEME IS THAT IT TAKES INSUFFICIENT ACCOUNT OF "IMPORTANT NATIONAL ECONOMIC PROBLEMS."

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5. COMMENT: THE SOCIAL DEMOCRATS ARE HIGHLY VULNERABLE ON THE WAGE EARNER FUND QUESTION AND THE OPPOSITION PARTIES ARE MAKING THE MOST OF IT. A NUMBER OF PUBLIC OPINION POLLS HAVE INDICATED THAT MOST SWEDES, INCLUDING SOCIAL DEMOCRATIC SUPPORTERS AND EVEN LO'S OWN MEMBERS, ARE HOSTILE TO LO'S INSISTENCE ON COLLECTIVE OWNERSHIP. FOR ALL HIS EXCEPTIONAL NIMBLENESS, PALME IS BEING PUSHED INTO A CORNER FROM WHICH HE IS HAVING DIFFICULTY EXTRICATING HIMSELF. HE HAS BEEN FORCED TO DEFEND AN UNPOPULAR POSITION ABOUT WHICH HE HIMSELF PROBABLY HAS CONSIDERABLE DOUBTS. AT THE SAME TIME, HE CANNOT AFFORD TO DISASSOCIATE THE SOCIAL DEMOCRATS FROM THE LO OBJECTIVE WITHOUT RISKING AN EROSION OF LO'S ENORMOUSLY IMPORTANT ELECTORAL SUPPORT. UNLESS PALME CAN PERSUADE LO LEADERS TO BECOME CONSIDERABLY MORE FLEXIBLE ON THIS ISSUE, THE CONTROVERSY OVER WAGE EARNER FUNDS WILL UNDOUBTEDLY HURT SOCIAL DEMOCRATIC CHANCES FOR AN ELECTION VICTORY.

SMITH

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